#### U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

# Conference Call on MTW Rent Reform

# August 13, 2009

On August 13, 2009, the Moving to Work (MTW) Office in the Office of Public Housing Investments at the US Department of Housing and Urban Development hosted a conference call with MTW agencies to discuss MTW rent reform issues. Following is a recap of the comments provided by the conference call participants. The discussion followed along with a PowerPoint presentation provided by Ivan Pour, Marianne Nazzaro and Laurel Davis of the MTW Office in HUD's Office of Public Housing Investments.

# Why Implement Rent Reform?

Ivan Pour asked housing authority participants to share their thoughts on why rent reform is an important activity to pursue. Following are the comments offered:

Agency	Comment
Agency A:	The results we would like to get from rent simplification and rent reform is a process to increase efficiency in-house through the verification process and a system that we can easily explained to residents.
Agency B:	From our survey of residents we learned any changes should show the clear benefit to residents. We want to empower beneficiaries and make sure they know the specific benefit of their voucher each month.
Agency C:	Current rent structures narrowly represent the real world. The agency wants to pursue a rent structure more representative of the world, that actually moves people to work.
Agency D:	Wants to focus more on encouraging families to become self sufficient.
Mr. Pour:	We understand that the relationship between rent and income creates complications for the goal of self sufficiency.
Agency G:	The current Brooke Amendment rent policy serves as a disincentive for a resident to work. In addition, because of the complexity of the HUD rent policy, it requires a full year to train staff to administer the policy. Agency G's goal is to replace this policy with one that is transparent, simple to understand, and provides a reward (not a penalty) for increased income.
Mr. Pour:	The earned income disregard attempts to address this issue but it is a cumbersome process.
Agency N:	Rent reform doesn't resonate with residents – they don't think about it when they go to work, but they do want to be able to understand it. It is important to remove

the earned income disregard. Residents don't focus on this disregard. Residents are only concerned about the rent amount they have to pay.

- Agency A: We have created an MTW escrow account to help residents purchase a home. This has been reasonably successful as 199 families have achieved homeownership.
- Agency F: Our goal is to make the rent system more efficient and to promote self-sufficiency. The earned income disregard can be replaced with something that is more effective and efficient.
- Agency L: We would like to demonstrate that a rent structure that is not based on income can be effective and can protecting and simplifying the process for low-income households.

Tulare: When a rent system is based on income, residents may lie to you. When the rent system is de-coupled from income, it is much easier to work with residents.

#### What is Rent Reform?

Marianne Nazzaro reviewed what constitutes an MTW rent reform activity and noted that occupancy policies associated with rent reform initiatives technically do not qualify as a rent reform activity. Ms. Nazzaro then asked housing authority participants to share their thoughts on this issue. Following are the comments offered:

	C
<b>Agency</b>	Comment
Agency H:	Asked why it was not possible to adopt an MTW rent policy feature that enabled a PHA to count foster care payments to a household as income.
Agency E:	Noted that foster care payments are dedicated specifically to support foster children.
Mr. Pour:	Some income exclusions are in HUD regulations because they were initially a result of other statutes and not the 1937 Housing Act. It is not clear if this is the case with foster care payments, but HUD will investigate this issue.
Tulare: Tulare	looked into the issue of income exclusions and could not identify a reason for preserving such exclusions.
Agency N:	Agency N initially tried to eliminate all income exclusions, but could not do it because they were tied to other statutes. There is a huge amount of income excluded nationwide because of such requirements.
Mr. Pour:	Asked an Agency N representative for documentation on this issue so that he could look further into this requirement. The cumulative effect over time of these exclusions has created unintended consequences that large amounts of income are in some circumstances not counted.
Agency I:	If an agency is wedded to tying rent to income, they can use gross income and then not allow any deductions.
Agency G:	Agency G has adopted a policy of establishing a household's initial rent at 30% of

their income, but then adjusting this rent utilizing steps, regardless of income.

Lincoln: Lincoln bases rent amounts on 27% of a household's gross income and allows no

deductions.

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Agency D: Agency D is concerned about considering income verification procedure

streamlining as a rent reform activity. This will have no affect on rent amounts,

but the agency must develop an impact analysis and hardship policy.

Ms. Nazzaro: Noted that in such cases, the impact analysis will confirm that there will be no

effect on resident rent amounts.

## MTW Statutory Requirement to Adopt a Rent Reform Activity

Ms. Nazzaro reviewed the MTW statutory requirement that all MTW agencies must adopt a rent reform activity and that at least one rent policy feature must promote resident self-sufficiency for employable households. With the help of stakeholders, agencies should define what self-sufficiency means in their communities. Ms. Nazzaro then asked housing authority participants to share their thoughts on this issue. Following are the comments offered:

<b>Agency</b>	Comment
Agency E:	Agency E struggled to define self-sufficiency but determined it to be resident education, job placement and economic progress.
Agency F: 1. 2. 3.	Agency F has established three self-sufficiency goals: Increase resident employment rates Promote resident employment retention Facilitate resident income progression
Agency G:	Agency G is also concerned about assisting another group: persons with limited capacity. How should self-sufficiency be defined for this group? Agency G is also concerned with partial success stories, where a person gets a job but still needs assistance.
Agency H:	Agency H defines self-sufficiency as being free of government subsidy.
Agency B:	Agency B defines self-sufficiency as meeting person's personal goals not just economic goals. Thus having access to the specific services that a person needs can trigger an increase in that person's self-sufficiency and escrow account balance. Agency B believes that building an escrow account need not be solely dependent on increases in earned income.
Agency D:	Agency D asked how to calculate non-economic goals?
Agency B:	It was explained that things done to broaden how people increase their skills such as job training, education, and increases in credit scores can all be factors. These are things people need to be independent.
Agency D:	Agency D asked a representative of Agency B how escrow increases are determined if they are not a result of income increases.
Agency B:	Agency B answered the query by saying that specific escrow increase amounts are established to reflect a person's specific goal achievements.

Ms. Nazzaro: Suggested that each MTW agency clearly note how its existing or proposed rent reform activities address the self-sufficiency requirement.

Agency A: Agency A is interested in simplifying their rent system. Specific changes will be explored in 2010 and implemented in 2011.

Ms. Nazzaro: Asked if Agency A's rent reform plans will include a self-sufficiency component.

Agency A: Agency A's current rent reform policy addresses the self-sufficiency requirement. The planned changes will be designed to make the rent policy simpler.

Agency G: Agency G cautioned Agency A to be careful if their rent reform policy does "harm" to their residents. The advocacy community is very concerned when rents exceed 30% of a household's income.

Agency A: The changes planned will not result in harm to residents. It will just simplify the process. Agency A will include advocates in the policy development process.

### **Brainstorming Alternative Rent Policies**

Mr. Pour:

Rent Reform Activities Matrix: Ms. Nazzaro directed the attendees to the draft rent reform activities matrix that was provided as a handout for this conference call. The matrix provided brief descriptions of the rent reform activities currently pursued by MTW agencies. Ms. Nazzaro requested that PHAs inform the MTW Office if the description of their agency's activities requires revision. Once all comments are addressed, the matrix will be posted on the MTW website. Ms. Nazzaro then asked housing authority participants if this matrix was useful or if there were any questions. Following are the comments offered:

Agency	Comment
Agency G:	Suggested that a column be added to the matrix to indicate if the rent reform activities have "harmed" residents.
Agency I:	Noted that consultants have been helpful in sharing information and ideas on rent reform options.
Unknown:	It was suggested that the name of a contact person and their phone number be provided for each PHA to facilitate agency to agency communication.
Agency J:	This matrix is helpful.
Agency K:	Noted that they have had success with adopting biennial and triennial recertification schedules, but that the HUD form used to receive a household's authorization for the PHA to verify personal information (HUD form 9886) only covers a sixteen month period.
Agency L:	Noted that they changed this form to extend the time.

EIV time frames have been extended to enable MTW agencies to adopt less

of verification, a formal authorization (like the 9886 form) is needed.

frequent recertification schedules. PHAs don't need to verify information during interim years (between recertifications), but to access EIV or to obtain other types

Ms. Nazzaro: Noted that PHAs can't modify an OMB-approved form and still refer to the form

as an OMB form. PHAs can create their own form for PHA use.

Agency M: When the Agency M increased its payment standards, it implemented this change

during reexaminations. The payment standards for non-reexamination households

did not change, so these families were not happy.

Agency D did a blanket adjustment for fixed-income households and did an

automatic payment standard and Cost of Living Adjustment (COLA) update.

Mr. Pour: To do off-year blanket payment standard or COLA adjustments, PHAs do not

need to obtain confidential information or access EIV.

<u>Questions to Consider When Developing Alternate Rent Policies:</u> Mr. Pour reviewed the handout listing the questions a PHA should consider when exploring and adopting rent reform activities. Ms. Nazzaro then asked housing authority participants to share their experiences and to note lessons learned. Following are the comments offered:

## **Agency** Comment

Agency J: It is important to complete an impact analysis and to have a hardship policy

before a proposed rent reform policy is presented to stakeholders. Advocates are

concerned about hardship impacts and accommodations.

Agency N: It is important to work with your residents when developing a rent reform policy.

They will help you understand what some of the impacts of the policy are likely

to be, and it helps to do focus group with those who will be affected.

#### **Reporting Requirements**

Laurel Davis reviewed the process PHAs must follow to obtain HUD approval of their rent reform activities. Specific information must be presented in the PHA's MTW Plan to adequately describe the policy, identify the policy objectives, confirm that the policy is authorized by MTW, confirm that a process has been established to evaluate the impacts of the policy and that the MTW rent reform adoption process was followed, and to show that impact analysis and hardship requirements have been followed. Ms. Davis then asked housing authority participants to share their thoughts on this issue. Following are the comments offered:

<b>Agency</b>	Comment
Agency N:	Is this process to just be followed for proposed rent reform policies, or must it also be used for ongoing rent reform activities?
Ms. Davis:	Just for proposed rent reform activities.
Unknown:	Must there be a separate Board approval of the rent reform policy?
Ms. Davis:	The Resolution that adopted the MTW Plan can be used if all of the required rent policy information was included in the MTW Plan and was part of the public participation process.

## **Updated Guidance on Developing an Impact Analysis and Hardship Policy**

Ms. Nazzaro reviewed the handout that provided guidance on developing a rent reform policy impact analysis. An earlier version of this handout was provided at the 2009 MTW Conference, but it has now been updated. Ms. Nazzaro then asked housing authority participants to share their thoughts on this topic. Following are the comments offered:

Agency	Comment
Agency G:	Smaller PHAs try to do an impact analysis on each feature of their rent policy, but there is a capacity issue to complete such an analysis. It would be great if Agency J could share their staff to help. (Agency J jokingly indicated that they would "for a fee.")
Agency J:	Agency J has used consultants to initially complete a detailed impact analysis of their rent reform activities. You can learn a lot if you have a good database. Consultants will be used again to analyze the impacts of rent policy revisions.
Agency K:	Agency K has completed a good analysis of the financial impacts of their rent policy. The information gained has helped shape the policy.
Agency J:	Their analysis was very informative. Agency J learned who was utilizing which deductions, etc. This was very helpful information when discussing rent policy issues with advocates.
Agency N:	If you don't count excluded income when analyzing the rent impacts on residents, it will appear that the MTW rent is too high. PHAs should, therefore, include all income the household receives for the assessment to be accurate and to allow for a proper comparison.
Agency B:	Agency B is doing their analysis in-house. They assessed adopting a tiered rent structure. This analysis was very successful. The Agency B rent policy must reflect their HAP subsidy allocation level. Agency B learned that some impacts would only affect very few families, but that a sizeable number of families would have significant rent increases. Agency B is still refining the policy but now appreciates how important the hardship policy and transition period policy will be.

Ms. Nazzaro noted that this handout also provides guidance on developing a hardship policy. Ms. Nazzaro reminded PHAs to develop and share this policy with stakeholders before the rent policy is implemented. The entire policy should be included with the MTW Plan. If an existing policy is being changed, include the entire policy in the MTW Plan and highlight the changes.

#### **Existing Rent reform Activities**

Ms. Davis reviewed the reporting requirements for ongoing rent reform activities. Although not required in Attachment B, HUD would like to have PHAs begin reporting on their current MTW rent reform initiatives in the first MTW Plan in the new Attachment B format. Ms. Davis then asked housing authority participants to share their thoughts on this issue. Following are the comments offered:

## **Agency** Comment

Agency B: This process seems to repeat what is already in their MTW Plan.

Ms. Nazzaro: This is more of an issue for those PHAs that previously submitted their MTW

Plans in the old Attachment B format.

#### **Evaluation**

Ms. Nazzaro noted that this issue was extensively discussed in a previous MTW training and at the MTW Conference. Reporting evaluation information to HUD is very important. Traditional methods of assessing outcomes are to use pilot programs or control groups. Ms. Nazzaro then asked housing authority participants to share their thoughts on this issue. Following are the comments offered:

<b>Agency</b>	Comment
Agency O:	Asked if any PHAs were utilizing control groups. Agency O is thinking about utilizing this approach.
Agency F:	Agency F intends to establish a development as a pilot. This site will then be compared with other similar Agency F developments. The other sites will be similar in size, but it will not be a formal match or control group.
Agency G:	Provide MTW agencies with 20 years, and we will consider utilizing pilots and control groups.

Ms. Nazzaro indicated that HUD would be available to facilitate an MTW agency group discussion on these approaches if there was interest in such a discussion.

#### Wrap-Up

Ms. Davis reviewed the topics covered during the conference call.

#### **Additional Resources**

Ms. Nazzaro noted that the following additional resources are available to assist MTW agencies in pursuing rent reform activities:

- 1. This conference call's training materials and handouts
- 2. The MTW Conference Report
- 3. Contacting other MTW agencies that have adopted MTW rent policies
- 4. Contacting HUD staff for assistance

Marianne Nazzaro provided contact information for the HUD MTW Office team:

MTW Program Director

Ivan Pour – 202-402-2488

MTW Coordinators

Emily Cadik – 202-402-4096

Laurel Davis – 202-402-5759

Justin Fazzari – 202-402-5760

Marianne Nazzaro – 202-402-4306

## **Final Thoughts and Future Conference Call Topics**

Housing authority participants were asked to share their final thoughts about this conference call and to suggest future conference call topics. Following are the comments offered:

# Agency J: It is suggested that the session has fewer topics and be shorter in length. The objectives of the discussion should be more limited, but with more detail. Agency P: Agency P requested several reasonable authorizations in their MTW Plan, but

- Agency P: Agency P requested several reasonable authorizations in their MTW Plan, but they were not approved and the MTW Office did not appear to support the agency's position with other HUD offices. These two issues involved designating units and disposing of units for homeownership. HUD noted that approval of these requests could not be done via the MTW Plan. Both seem to be within MTW authority, so why not? How does the MTW staff view this issue? This should be the topic of a future conference call discussion.
- Agency J: Approval for designated housing was never possible via MTW, but it should be. It is not clear if establishing a designated housing plan is part of the 1937 Housing Act. Why can't an MTW PHA put requests like this in their MTW Plan and then have HUD's Fair Housing Office review and approve (or disapprove) that part of the MTW Plan? Why must there be two separate submissions to HUD? In fact, why can't both MTW and non-MTW requests be reviewed and approved/disapproved utilizing one process the MTW Plan?

## Adjournment

Ms. Nazzaro asked PHAs to suggest if these conference calls should be scheduled on a quarterly or monthly basis. Ms. Nazzaro also reminded PHAs that HUD wants feedback on the rent reform activities matrix to insure that the information on current rent reform activities is accurate.